



May 20, 2025

Ms. Kristi Morgan  
President | Commonwealth Development Corporation  
7447 University Ave., Suite 210  
Middleton, WI 53562

**Re:     *The Ridge at Rock Hill***  
***Rock Hill, SC***

Dear Kristi,

Red Stone Equity Partners, LLC (“Red Stone”) is pleased to be given an opportunity to submit a funding commitment on The Ridge at Rock Hill (the “Project”) located in Rock Hill, South Carolina. This letter serves as an outline of the business terms regarding the acquisition of investor membership interests in a to-be-formed Limited Liability Company (the “Company”) that will own the Project. Red Stone or its designee (the “Investor Member”) will acquire a 99.890% investor member interest (the “IM Interest”) and a 0.001% special investor member interest (the “SIM Interest”) in the Company. The terms of this commitment are subject to ratification by Red Stone’s investment committee as described below. Further terms shall only be as set forth in a to-be-negotiated operating agreement and will be subject to, among other things, (i) satisfactory transaction structure and documentation, (ii) satisfactory due diligence, including third party reports and (iii) other standard conditions for transactions of this type as described more fully in Paragraphs 13 and 14 below.

1. **Project Information.** The Company will be formed to acquire, own, develop and operate the Project, which is anticipated to be eligible to claim Low Income Housing Tax Credits (“Housing Credits”) under Section 42 of the Internal Revenue Code. The Project will consist of 60 residential units for low income seniors. The Project will consist of the new construction of a residential buildings located in Rock Hill, York County, within the State of South Carolina. Within the Project, all of the units are expected to be Housing Credit compliant. Furthermore, six units will be supported by Project Based Vouchers. The residential unit mix shall reflect the detail below and shall conform to any other set-asides as required by South Carolina Housing. The means for such conformance shall be reviewed by and be acceptable to Red Stone.

Type	Number of Units	Income Restrictions
1 BR/1 BA	3	20% AMI (PBVS8)
2 BR/1 BA	3	20% AMI (PBVS8)
1 BR/1 BA	6	50% AMI (PBVS8)
1 BR/1 BA	3	50% AMI
2 BR/2 BA	3	50% AMI
1 BR/1 BA	17	60% AMI
2 BR/1 BA	25	60% AMI

The construction and lease-up schedule expected for the Project, and upon which the credit pricing and deal terms are contemplated herein, are as follows:

Benchmark	Date
Closing Date	May, 2026
Completion Date	June, 2027
First Unit Leased	June, 2027
Last Unit Leased	February, 2028
Stabilized Operations	June, 2028

2. **Project Ownership.** The Managing Member will be controlled by Commonwealth Holdings V, LLC and will be a single purpose, taxable, bankruptcy remote entity with a 0.009% ownership interest in the Company. The two managers of Commonwealth Holdings V, LLC (Kristi Morgan and Christopher Jaye) may transfer their interests such that at least one of the two owners maintain control of 51% at all times, otherwise, any change in the voting interests of the Managing Member shall be subject to Red Stone's consent. The anticipated ownership structure and other key Project participants are set forth below.

Entity	Name	Ownership Interest
Managing Member	The Ridge at Rock Hill MM, LLC	0.009%
Federal Investor Member	RSEP Holding LLC, or its designee	99.890%
State Investor Member	Advantage Capital	0.10%
Special Investor Member	Red Stone Equity Manager, LLC, or its designee	0.001%
Developer	Commonwealth Development Corporation of America	
Guarantors <sup>1</sup>	Managing Member and Developer	
General Contractor	TBD	
Property Manager	TBD	

3. **Tax Credits.** The Project expects to receive an allocation of 9% Housing Credits from South Carolina Housing (the "Agency") for the year 2025 in an annual amount of \$1,750,000. The total Housing Credits anticipated to be delivered to the Company is \$17,500,000 (the "Projected Federal LIHTC"). The Project also expects to receive State Housing Credits from the Agency in the annual amount of \$1,000,000 (the "Projected State LIHTC").

Any decision to delay the commencement date of the Housing Credit period beyond 2028 is subject to Red Stone's consent. In addition, any decision to commence the Housing Credit period prior to January, 2028 is subject to Red Stone's consent.

4. **Capital Contribution.** Red Stone will acquire its Investor Member Interest in the Company for a total capital contribution of \$14,173,583 subject to adjustment in Paragraph 5 below. This capital contribution is based on the following pricing:

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<sup>1</sup> The Guarantors will guarantee certain of the Managing Member's obligations set forth in Paragraph 7 herein, will do so on a joint and several basis, and will be subject to the review and approval of Red Stone.

Credit Type	Total amount	LP amount	Pricing Factor	Equity
Projected Federal LIHTC	\$17,500,000	\$17,498,250	\$0.81	\$14,173,583
			<b>Total</b>	\$14,173,583

The above pricing assumes 100% of residential depreciation being taken over 30 years; 100% of depreciation on site improvements being taken over 15 years; and 100% of depreciation on personal property being taken over 5 years. The allocation of the depreciable line items is subject to Red Stone's review and approval. In the event the Project will generate solar and/or 45L tax credits, Red Stone shall purchase such credits at the same price (\$0.81) as the Federal LIHTC with equity to be paid pari passu with the LIHTC equity.

Red Stone will fund its capital contribution pursuant to the following schedule:

- A. 20.00% (\$2,834,716 Federal LIHTC Equity) shall be paid upon the later of (a) the execution of the Operating Agreement, (b) receipt and approval of all due diligence items on Red Stone's due diligence checklist, (c) receipt by the Company of commitment for a non-recourse permanent loan acceptable to Red Stone, (d) receipt of commitments of the additional financing sources described in Paragraph 11, (e) closing and initial funding (if applicable) of the construction loan.
- B. 48.00% (\$6,803,320 Federal LIHTC Equity) upon the later of (a) satisfaction of the funding conditions described in (A) above, (b) receipt of temporary certificates of occupancy, (c) receipt of a summary of project costs from the General Partner, (c) receipt of an architect's certificate of lien-free substantial completion, and (d) June 1, 2027.
- C. 30.00% (\$4,252,075 Federal LIHTC Equity) upon the later of (a) satisfaction of the funding conditions described in (B) above, (b) receipt of permanent certificates of occupancy, (c) receipt of the final cost certification from an independent certified public accountant, (d) repayment of the construction loan and funding of the Project's permanent mortgage, or such condition will be met concurrently with the payment of this installment, (e) satisfaction of all funding conditions required for the permanent mortgage, including without limitation, three consecutive months of a 1.15 to 1.00 Debt Service Coverage ratio ("DSC") and 90 days of 90% occupancy, (f) achievement of 100% qualified occupancy, (g) calculations of the preliminary adjusters have been prepared, and (i) June 1, 2028.
- D. 2.00% (\$283,472 Federal LIHTC Equity) upon the later of (a) satisfaction of the funding conditions described in (C) above, (b) receipt of IRS Form 8609s and a recorded extended use agreement, (c) receipt and review of an acceptable initial tenant file audit, and (d) calculations of final adjusters have been prepared.

## 5. Adjusters.

- A. Increase or Decrease in Housing Credits. In the event that actual Housing Credits as determined by the cost certification and 8609s exceeds Projected Federal LIHTC, Red Stone will pay an additional capital contribution equal to the product of (i) \$0.81 in the event the Project receives an additional allocation of Housing Credits) multiplied by (ii) the difference between the actual Federal LIHTC and the Projected Federal LIHTC. In the event that actual Housing Credits as determined by the cost certification and 8609s are less than Projected Federal LIHTC, Red Stone's capital contribution will be reduced by an

amount equal to the product of (i) \$0.81 multiplied by (ii) the difference between the Projected Federal LIHTC and the actual Federal LIHTC ("Adjustment Amount"). If the Adjustment Amount exceeds the total of all unfunded capital contributions, then the Managing Member will make a payment (which payment shall be guaranteed by the Guarantors) to the Company equal to the amount of such excess, and the Company will immediately distribute such amount to Red Stone as a return of its capital contribution.

- B. Timing of Housing Credit Delivery. In addition to the Adjustment Amount, Red Stone's capital contribution will be similarly reduced in the event that the actual delivery of Housing Credits is slower than the anticipated schedule set forth in Paragraph 3. The amount (the "Late Delivery Adjustment") of this reduction will equal the product of (i) \$0.50 multiplied by (ii) the difference in the Projected Federal LIHTC and actual Housing Credits for such years are less than the amounts shown in Paragraph 3. Conversely, in the event that the actual delivery of Housing Credits exceeds the anticipated schedule set forth in Paragraph 3, Red Stone will pay an additional capital contribution (the "Early Delivery Adjustment") equal to the product of (i) \$0.50 multiplied by (ii) the difference between actual Housing Credits and the Projected Federal LIHTC. Red Stone will pay such additional capital contribution at the funding of its final capital contribution.

Notwithstanding the above, in no event will the net additional Capital Contribution to be paid by Red Stone exceed 7.5% of the total original Capital Contribution amount, and Red Stone will pay such additional Capital Contribution at the funding of its final capital contribution. Such additional Capital Contribution will be used to pay any outstanding fees owed to Red Stone, then to additional Project development costs, and then will be distributed in accordance with the provisions of Paragraph 10(B), below.

6. Reserves. The Company will fund the following reserves:

- A. Operating Reserve. The Partnership will fund and maintain an Operating Reserve to be funded from the Third Capital Contribution in an amount of \$257,958 (the "Minimum Balance"). Any release of funds from the Operating Reserve will be subject to Red Stone's consent. Pursuant to Paragraph 10(B), the Operating Reserve will be replenished up to the Minimum Balance from cash flow to the extent withdrawals are made. No withdrawals may be made from the Operating Reserve until the Maximum ODG Amount (as defined in Paragraph 7(B) below) is funded by the General Partner, as required pursuant to Paragraph 7(B)(ii) below. To the extent the balance of the Operating Reserve is less than the Minimum Balance at the expiration of the ODG Period as described in Paragraph 7(B)(ii) below, the General Partner shall cause the Operating Reserve to be replenished back to the Minimum Balance and the ODG Period shall be extended until such Operating Reserve has been replenished. The Operating Reserve shall remain an asset of the Partnership and shall be subject to distribution in accordance with Paragraph 10(C) below, subject to the approval of any project lenders. Such distribution will only occur upon a sale of the Project to a 3<sup>rd</sup> party.
- B. Replacement Reserve. The Project operating expenses will include the funding of a Replacement Reserve in the amount of \$300 per unit inflated by 3% annually. Any release of funds from the Replacement Reserve will be subject to Red Stone's reasonable consent, if greater than \$10,000. Withdrawals of any amount will be subject to consent if such withdrawal would reduce the balance of the replacement reserve to less than one year of funding.

7. **Guarantees.** The Guarantors will guarantee the following obligations of the Managing Member:

- A. **Construction Completion Guarantee.** The Guarantors shall guarantee the Managing Member's obligation of lien-free completion of the Project in accordance with the plans and specifications approved by Red Stone for the amount set forth in the approved project development budget. The Construction Completion Guarantee will provide that the Guarantors shall pay any amount in excess of the approved project development budget as well as any Project deficiency arising prior to Stabilized Operations (as defined in Paragraph 7(B) below). Any payments made hereunder shall be treated as an unsecured loan with no interest from the Managing Member to the Company and to be repaid out of cash flow, refinancing, sale and liquidation proceeds as provided below in Paragraphs 10B and C. Further, in the event of cost overruns related to the approved Project development budget, the Managing Member has the ability to defer additional development fee in order to cover those cost overruns, subject to Red Stone's reasonable approval.
- B. **Operating Deficit Guarantee.** The Guarantors will agree to advance to the Company any amounts required to fund operating deficits arising after the expiration of the Construction Completion Guarantee, if needed, as follows:
  - (i) The guarantee shall be unlimited until the Project achieves "Stabilized Operations". Stabilized Operations is to be defined as construction loan payoff and conversion to approved non-recourse permanent financing (inclusive of 3 months of a 1.15 debt service coverage ratio). To the extent applicable, if Project income is insufficient to enable the Project to attain the required debt service coverage necessary for the closing or conversion of all permanent loans, the Guarantors will agree to pay down the construction loan in an amount necessary to allow the Project to cause the closing or conversion of all permanent loans by the conversion date required by the lender(s). Any payments made hereunder shall be treated as a subordinate loan with no interest from the Managing Member to the Company and to be repaid out of cash flow, refinancing, sale and liquidation proceeds as provided below in Paragraphs 10B and C. Further, in the event of cost overruns related to the approved project development budget, the Managing Member has the ability to defer (additional) development fee in order to cover these cost overruns, subject to Red Stone's reasonable approval.
  - (ii) Following (i) above, for a period of 60 months following the achievement of Stabilized Operations (the "ODG Period"), the amount shall be limited to \$257,958 (the "Maximum ODG Amount"), and will be released provided the Project maintains a minimum of 1.15 to 1.00 debt service coverage ratio over each of the last consecutive two 6-month periods of the ODG Period. Any amounts so advanced will constitute interest-free loans ("Operating Deficit Loan") repayable out of future available cash flow or out of available proceeds of a sale or refinancing described in Paragraph 10.
- C. **Repurchase Guarantee.** The Guarantors will repurchase Red Stone's interest upon the occurrence of certain events described in the Operating Agreement.
- D. **Housing Credit Shortfall and Recapture Guarantee.** In addition to the Housing Credit and Timing Adjusters set forth in Paragraph 5, if the actual amount of Housing Credits or State Housing Credits for any year is less than Projected Federal LIHTC/Projected State LIHTC Credit set forth in Paragraph 3, as adjusted by Paragraph 5, the Guarantors will guarantee payment to the Investor Member of an amount

equal to the shortfall, or recapture amount, plus all applicable fees, penalties or other costs incurred by the Company and/or Red Stone as a result of such shortfall or recapture. Notwithstanding the foregoing, the Guarantors shall not be responsible for loss or recapture of Housing Credits attributable to changes to the Code.

- E. Environmental Indemnification. The Company and the Guarantors, jointly and severally, shall indemnify and hold harmless the Investor Member from and against all claims, actions, causes of action, damages, costs, liability and expense incurred or suffered based upon a violation of environmental laws, or respecting the presence of environmental hazards.
  - F. Guarantors. The Guarantors will guarantee all of the Managing Member's obligations including those set forth above. The Guarantors will maintain a minimum liquidity of \$500,000 and a minimum net worth of \$3,000,000. The Guarantors will provide Red Stone with annual financial statements evidencing compliance with the liquidity and net worth covenants above.
8. Construction. The Managing Member will arrange for a fixed or guaranteed maximum price construction contract in the anticipated amount of \$16,102,498. The Managing Member shall cause lien-free completion and payment and performance bonds from every subcontractor performing work valued at \$250,000 or greater, with an option to bond the entire construction contract. Red Stone may, in its sole discretion, engage a construction consultant to review plans and specifications and evaluate the construction progress by providing monthly reports to the Company.
9. Fees. The following fees will be paid by the Company for services rendered in organizing, developing and managing the Company and the Project.
- A. Developer Fee. The Developer will earn a developer fee of \$1,450,000, or such greater amount as allowed by the Agency. The portion of the developer fee that will not be paid out of the Capital Contributions will be deferred and payable by the Company to the Developer as a distribution of net cash flow in accordance with Paragraph 10(B). The deferred amount is projected to be \$330,164 and will accrue interest at the rate of 8.00% per annum, or such other interest rate acceptable to tax counsel, in effect as of the placed-in-service date of the project. The balance of the developer fee that is not projected to be permanently deferred is projected to be \$1,119,836 ("Cash Development Fee"). The deferred amount will be payable out of available cash flow and will mature on the 15th anniversary of the placed-in-service date ("Maturity Date"). If the deferred portion of the developer fee has not been repaid upon the Maturity Date, the Managing Member will be required to advance the Company the amount equal to the unpaid balance of the deferred amount.
  - B. Property Management Fee. The property management fee will not exceed a total of 6.00% of gross collected rents. All of the property management fee will be paid as an operating expense. The appointment of the management agent, expected to be Commonwealth Management Corporation, and terms of the property management agreement, are subject to the prior approval of Red Stone.
  - C. Asset Management Fee. The Company will pay Red Stone an annual asset management fee in an amount equal to \$5,000 per annum. The asset management fee will be paid annually and such fee shall accrue beginning on January 1, 2028, with the first payment due and payable on or before March 1, 2028, and each anniversary thereafter. The asset management fee will increase annually by 3%.

10. **Distribution of Tax and Cash Benefits.**

- A. **Tax Benefits.** Tax profits, tax losses, and tax credits arising prior to the sale or other disposition of the Project will be allocated 99.98% to the Investor Member, .001% to the Special Investor Member and .009% to the Managing Member. The Investor Member will have the right in its sole discretion to undertake a limited deficit restoration obligation at any time during the term of the Company.
- B. **Net Cash Flow Distributions.** Distributions of net cash flow, as defined in the Operating Agreement, but generally all cash receipts less cash expenditures (e.g., payment of debt service and property management fee), will be made as follows:
- (i) to the Investor Member in proportion to any tax liability incurred by such partner;
  - (ii) to the Investor Member, to make any payment of any unpaid tax credit adjuster or any tax credit shortfall or other debts owed to the Investor Member;
  - (iii) to the Investor Member as payment of any unpaid Asset Management Fee;
  - (iv) 50% to replenish the Operating Reserve account to the Minimum Balance;
  - (v) to the payment of any unpaid developer fee, until such fee has been paid in full;
  - (vi) to the payment of any debts owed to the Managing Member;
  - (vii) to the payment of the Partnership Management Fee;
  - (viii) 90% to the payment of any incentive management fee, or such other amount as determined by and acceptable to tax counsel; and
  - (ix) the balance, .01% to the Special Investor Member and 99.99% to the Investor Member.
- C. **Distributions upon Sale or Refinance.** Net proceeds resulting from any sale or refinance will be distributed as follows:
- (i) in accordance with subparagraphs 10(B)(i) through (iii) above;
  - (ii) in accordance with subparagraphs 10(B)(v) through (vi) above;
  - (iii) to the Investor Member in an amount equal to any projected exit taxes;
  - (iv) the balance, 90% to the Managing Member, 9.99% to the Investor Member, and .01% to the Special Investor Member.

The Members agree that the Managing Member, in consultation with the Company's accountants, and as permitted by the Internal Revenue Code, may, at any time after the expiration of the Credit Period, make any special allocation of Profits, Losses and other items including, without limitation, gross income, as are necessary to cause positive balances in the Capital Accounts of the Members to equal the distributions contemplated by Section 10(C)(iv) above.

11. **Debt Financing.** As a condition to funding the capital contribution described in Paragraph 4, the Managing Member will deliver the loan commitments and sources of financing described below. The terms of these loans and/or financing sources are subject to Red Stone's consent and all loans will be made directly from the lenders to the Company.

- A. **Permanent Loan.** The Company expects to receive non-recourse permanent loan commitments in the maximum amounts, and with the terms set forth below:

Name	Loan Amount	Hard / Soft Debt	Interest Rate	Term (mos.)	Amort. (mos.)	% of Cash Flow
Perm	\$2,880,000	Hard	7.50%	180	420	100%
2 <sup>nd</sup> Mortgage (Rock Hill Housing Authority)	\$250,000	Hard	4.52%	240	240	N/A

- B. **Construction Loan.** In addition to the permanent financing sources described above, it is expected that the project will be financed with a first-lien position construction loan in the anticipated amount 17,050,690 with an approximate interest rate 7.50% and a term of no less than 36 months.
- C. **Project-Based Section 8 ("Section 8") Rental Assistance Subsidy.** The Company shall receive a Project-Based Section 8 Contract on twelve (12) residential units covering a minimum term of 15 years which shall generate additional rental income for the benefit of the Company, and further be subject to HUD requirements and consent. The Managing Member shall use its best efforts to maintain and preserve such Section 8 rental assistance subsidy throughout the compliance period, in addition to seeking out any additional Rental Subsidies that may be available. In the event the Section 8 rental assistance subsidy is terminated and/or not renewed on an annual basis, the Company shall have the ability to increase the rent levels on all of the subsidized units to tax credit levels, provided such rent levels do not exceed applicable law, the rent restriction levels approved by HUD, the allocating agency, and/or the Project lender(s).
12. **Purchase Option and Right of First Refusal.** For a period of 2 years following the compliance period, the Managing Member or affiliate shall have an option to purchase the Project or the Investor Member interest at the end of the compliance period for a purchase price equal to the greater of (i) fair market value or (ii) the sum of the amount of indebtedness secured by the Project, which indebtedness may be assumed by the General Partner at its discretion, the amount of the federal, state, and local tax liability that the Investor Member would incur as a result of the sale and any amount of credits below the amount stated in Paragraph 3. If the Managing Member is a not for profit entity, the purchase price shall be the amount required pursuant to Section 42(i) of the Code.



13. **Due Diligence, Opinions and Financial Projections.** The Managing Member will satisfy all of Red Stone's due diligence requirements, including an acceptable local law opinion. The Investor Member's tax counsel will provide the tax opinion. The Company will reimburse the Investor Member an amount equal to \$75,000 toward the costs incurred by the Investor Member in conducting its due diligence review and for the costs and expenses of Red Stone's counsel and in connection with the preparation of the tax opinion, and for the costs of Red Stone's other third party reports. The financial projections to be attached to the Company Agreement and that support the tax opinion will be prepared by Red Stone based on financial projections provided by the Managing Member. The Managing Member financial projections will include eligible basis calculations, sources and uses, and cash flow statements.
14. **Company Closing.** Final Company closing will be contingent upon Red Stone's receipt, review and approval in its sole discretion of all due diligence including the items set forth on its due diligence checklist to be delivered to the Managing Member. Final Company closing also is contingent upon (i) a satisfactory site visit conducted by Red Stone to determine overall market feasibility, including an analysis of proforma rents and expenses, (ii) Red Stone's review and approval of all third party reports (iii) receipt of a tax credit reservation and (iv) Red Stone securing an investor. Red Stone will use reasonable efforts to keep the tax credit pricing and terms outlined in this letter constant through such date, but Red Stone reserves the right in its sole discretion to modify the tax credit pricing or other terms to be consistent with market conditions.

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It is hereby acknowledged and understood that this proposal is not a commitment to invest, nor is it intended to be a letter of commitment, and Red Stone is not bound to any of the terms and conditions herein outlined. The terms of the financing set forth in this letter are not set until formally approved by Red Stone and the transaction documentation has been executed by Red Stone and the General Partner. Please confirm your acceptance of the terms described in this letter by signing the enclosed counterpart and returning to us at the address set forth on the first page of this letter.

Sincerely,



By: \_\_\_\_\_

Name: Chris Murray

Title: Managing Director